

Message Text

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61

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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C O R R E C T E D C O P Y (PARA 9 SECOND WORD TO READ "BEGIN
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E.O. 11652: N/A

TAGS: EMIN, EIND, PE

SUBJECT: SPEECH BY MINISTER OF ENERGY AND MINES BEFORE AMERICAN
CHAMBER OF COMMERCE

REF: LIMA 7220

BEGIN UNCLASSIFIED

1. SPEAKING TO A MONTHLY MEETING OF THE AMERICAN CHAMBER OF
COMMERCE ON SEPTEMBER 27, GENERAL JORGE FERNANDEZ MALDONADO,
MINISTER OF ENERGY AND MINES, EXTOLLED PERU'S FUTURE IN BOTH
MINING AND PETROLEUM FIELDS PAINTING AN OPTIMISTIC PICTURE FOR
FINANCIAL BENEFITS WHICH WILL ACCRUE TO PERU FROM EXPLOITATION
OF ITS NATURAL RESOURCES. FOLLOWING IS A SUMMARY OF MINISTER'S
PRINCIPAL POINTS.

2. SMALL AND MEDIUM MINING.- THE GOP IS CARRYING OUT AN EXTENSIVE
PROGRAM TO PROMOTE SMALL AND MEDIUM MINING DEVELOPMENT, WITH
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POSSIBLE FUTURE PARTICIPATION OF SOCIAL PROPERTY ENTERPRISES IN

THE SECTOR. METHODS FOR INCREASING PRODUCTION OF SMALL MINING ARE PRESENTLY UNDER STUDY WHILE PLANS TO INCREASE THE CAPACITY OF SOME DEPOSITS AND OPEN UP NEW DEPOSITS IN MEDIUM MINING ARE ALREADY UNDERWAY. THE MINISTER STRESSED THE IMPORTANCE OF THE POTENTIAL FOR THE MEDIUM MINING SECTOR AND REFERRED SPECIFICALLY TO "EL AGUILA" \$14 MILLION COPPER PROJECT (IN THE DEPARTMENT OF ANCASH) TO BE FINANCED BY COFIDE. THE MINISTER EMPHASIZED THIS WAS THE FIRST FINANCING IN THIS SECTOR AND STATED THERE ARE OTHER SIMILAR PROJECTS BEING CONSIDERED.

3. GRAN MINERIA.- REFERRING TO "GRAN MINERIA" AND SPECIFICALLY TO COPPER, HE SAID PRESENT ANNUAL PRODUCTION OF 220,000 TONS WOULD BE INCREASED TO 565,000 TONS DURING 1975-76 AND TO ONE MILLION TONS BY 1980. VALUE OF MINERAL EXPORTS WOULD INCREASE TO \$1,024 MILLION AFTER 1974 AND TO \$1,470 MILLION BY 1980. HE ADDED THE GOP WILL DEVOTE SPECIAL ATTENTION TO REFINING OF METALS FOR WHICH MINERO PERU HAS INITIATED A PROGRAM TO BUILD REFINERIES. HE ALSO STATED MINERO PERU WILL BE MARKETING ALL MINERAL PRODUCTION WITHIN A LITTLE MORE THAN TWO YEARS THROUGH ITS OWN WORLD MARKETING MECHANISM.

4. HYDROCARBONS.- THE MINISTER STATED THAT, OUT OF THE 57 MILLION HECTARES IN OIL CONCESSIONS WHICH EXISTED BEFORE OCTOBER 3, 1968, LESS THAN 200,000 HECTARES NOW REMAIN IN THIS STATUS. HE THEN EMPHASIZED PETROPERU'S SUCCESS AND EFFICIENT WORK IN THE JUNGLE TO REACH ITS GOAL OF SELF-SUPPLY. CONCERNING PRODUCTION GOALS, HE SAID CONSERVATIVE ESTIMATES ARE AS FOLLOWS: PRODUCTION OF 2500,000 BBLs. ANNUALLY BY 1976 WITH AN EXPORT VALUE OF AROUND \$260 MILLION; AND 500,000 BBLs. ANNUALLY BY 1980 WITH AN EXPORT VALUE OF \$980 MILLION. MORE OPTIMISTIC VIEWS, HE SAID, INDICATE PRODUCTION IN 1976 COULD BE INCREASED TO 500,000 BBLs. VALUED AT \$850 MILLION AND TO ONE MILLION BBLs. BY 1980 WITH A VALUE OF \$2,535 MILLION. HE SAID FLATLY THE TRANSANDEAN PIPE-LINE WILL BE OPERATING BY 1976.

5. ANSWERING SEVERAL QUESTIONS AFTER THE SPEECH, THE MINISTER SAID THE DECISION NOT TO SIGN ANY MORE NEW OIL OPERATING CONTRACTS MAY BE TEMPORARY DEPENDING ON FUTURE DEVELOPMENTS. HE DENIED A STORY THAT PERU HAD RENEGED ON A CONTRACT TO IMPORT OIL FROM BOLIVIA. RATHER, HE SAID: "THE TRUTH IS THAT BOLIVIA'S CRUDE LIMITED OFFICIAL USE

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AVAILABILITIES TO EXPORT ARE SMALL" THUS BOLIVIA NOW UNABLE TO MEET THE REQUIREMENTS. THE MINISTER ALSO EXPLAINED THAT THE REASON FOR EXPORTING CRUDE TO BRAZIL WHILE PERU REMAINS AN IMPORTER OF CRUDE IS THAT TRANSPORTATION COSTS TO BRAZIL (FROM THE JUNGLE) ARE CHEAPER THAN TO THE COAST.

6. HE EMPHASIZED NATIONAL AND FOREIGN INVESTMENTS HAVE ALL THE LEGAL GUARANTEES AND BENEFITS WHICH THE LAW AND PRACTICE PROVIDE,

AND NOTED "FOREIGN INVESTMENT IS WELCOM."

7. IN REPLY TO ANOTHER QUESTION, MINISTER REEMPHASIZED THE GENERAL MINING LAW CONTEMPLATES THE ORGANIZATION OF SPECIAL MINING COMPANIES WHEREBY THE GOP, THROUGH MINERO PERU, CAN ASSOCIATE WITH NATIONAL AND/OR FOREIGN COMPANIES. WITH RESPECT TO QUELLAVECO, HE STATED MINERO PERU IS WILLING TO CONSTITUTE A SPECIAL MINING COMPANY WITH US CAPITAL. HE SAID CUAJONE IS IN THE PROCESS OF CONTRUCTION WHICH, HE SAID, IS PROGRESSING NOT ONLY AT AN IMPRESSIVE BUT SPECTACULAR RATE.

8. REPLY ING TO A QUESTION ABOUT REOPENING NEGOTIATIONS WITH CERRO, THE MINISTER STATED THAT "BY CERRO'S UNILATERAL DECISION, THERE HAVE NOT BEEN ANY NEGOTIATIONS AND NONE ARE UNDER WAY FOR THE TRANSFER OF CERRO TO THE GOP." HE ADDED "NEGOTIATIONS WERE TO BE INITIATED TODAY (SEPT. 29) AT 15:00 HOURS BUT DUE TO THE COMPANY'S UNILATERAL DECISION, THESE WILL NOT TAKE PLACE." HE DID NOT ELABORATE FURTHER.

9. COMMENT: BEGIN LIMITED OFFICIAL USE
THE MINISTER'S BREEZY OPTIMISM HAS BECOME ONE OF HIS TRADEMARKS, PARTICULARLY WHEN HE SPEAKS ABOUT THE BENEFITS WHICH PERU WILL DERIVE FROM ITS OIL AND MINERAL DEPOSITS. ALTHOUGH HIS STATEMENTS ABOUT EVENTUAL OIL AND MINERAL RESOURCES WERE PRESENTED AS PROVEN FACTS, LOCAL EXPERTS PRIVATELY HESITATE TO ESTIMATE WHAT THE ACTUAL QUANTITY OF PERU'S OIL RESERVES MAY BE. MOST BELIEVE THAT IT WILL BE AT LEAST LATE NEXT YEAR IF NOT EARLY IN 1975 BEFORE SUFFICIENT EXPLORATION HAS BEEN UNDETAKEN TO MAKE A REASONABLE ESTIMATE OF THESE RESERVES. IN ADDITION, THE MINISTER GLOSSED OVER THE DIFFICULTIES PERU HAS ENCOUNTERED IN ACTUALLY NEGOTIATING THE CONTRACTS FOR THE TRANSANDEAN PIPELINE AND THE FINAL FINANCING FOR CUAJONE. NOTWITHSTANDING THESE POINTS, HOWEVER, THE EMBASSY AGREES THAT PERU'S NATURAL RESOURCE BASE
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WILL UNDOUBTEDLY PROVIDE THE COUNTRY WITH GOOD FUTURE EARNINGS.
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BELCHER

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